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EXHIBIT

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HB

49

Subj: GREG HARBAC ADDRESS TO APPROPRIATIONS COMMITTEE ON HB 49 2013
SESSION, MONTANA STATE HOUSE OF REPRESENTATIVES

The truth matters to me and I would never, nor now make something up in pursuit of personal gain. If a number in this presentation is incorrect, then it is an error of omission vice an error of commission. While HB 49 would be a personal gain for Military Retirees, my analysis says it is a HUGE gain for the State of Montana.

Good Morning Mr. Chairman and members of the Appropriations Committee. My name is Greg Harbac, a retired USMC Lieutenant Colonel. I was born and attended school in Miles City and my bride of 38 years was born in Miles City and grew up in Baker, MT. We currently reside in Bozeman, MT and our daughter is the spouse of a Coast Guardsman. To my knowledge I was the youngest precinct committeeman ever elected in Montana. Upon graduation from College worked as a Business Manager for a school district in Blaine County. And finally I spent 24 years in service to my country and came home to Montana where I am registered with the State of Montana as an independent contractor and built a home in Bozeman to accommodate my family and my aging parents.

It is said that there are only two people who will die for you. Someone whose birth is celebrated by many each December 25th and a member of the United States Military. If you don't believe there was some intervention in how we came about or the wonders of Montana in some divine plan, then there is only one person who pledged to die for you. A member of the US Military. Now you know I didn't die for you... I'm here. You are also aware of what we collectively gave up and continue to give up to make an exercise in Civics like the legislative process we are practicing here possible. Who knows? We might be speaking German and this assembly called the Bundestag.

Our goal in life might be summed up as Life, Liberty and the pursuit of anyone who threatens it. To make all of this possible, we left home not knowing if we would see each other - not just husband and wife, but kids as well - at the end of a day, end of a month, or end of a year. We didn't know when or where we were going to be called to next; all we knew is that we could leave tonight. We stood to miss the birth of a child, miss our kids' first words and our kids' first steps (usually happened at a day care center). We stood to miss weddings, graduations, funerals, miss child's games (football and basketball come to mind), missed a tuck-in or a kiss... pleasures most take for granted. Enough of what you already knew we gave up... for the right to have this venue and me to speak to you today.

Now a bit about what we offer. In the simplest of terms, the kind of things that would make you want us to be your next door neighbor. We must continually seek self-improvement such as education and professional reading. We must be technically and tactically proficient. We must develop a sense of responsibility among our subordinates. We must make sound and timely decisions. We must set the example. We must know our people and look out for their welfare. We must keep our people informed.

We must seek responsibility and take responsibility for our actions. We must ensure each task is understood, supervised and accomplished. We must train our people as a team and we must employ our assets in accordance within its capabilities.

We do all of this by being dependable enough to perform what is expected of us. We take action in the absence of orders. We act with character and soundness of moral principles. We weigh the facts and possible solutions so that we make good decisions. We give rewards and punishments impartially and consistently. We try to deal with others without being offensive. We are loyal to our seniors, subordinates and our country. Again someone you would like as a neighbor.

We are human. We make mistakes. We are made, not born. You know us! We come from the streets of Colstrip, Helena, Hamilton, Kalispell, Conrad, Eureka, Missoula, Kila, Billings, Brady, Miles City, Ramsay, Buffalo, Cut Bank, Bozeman and cool sounding places like Ingomar, Judith Gap, Two Dot, Babb, Dewey, Ware & Fishtrap.

BUT ALL OF THIS IS MOM, MONTANA & APPLE PIE... Knowing all of this is why we want to make HB 49 work... and work for Montana.

I would not like to be in the shoes of your Fiscal Division trying to put together numbers to enable you to make prudent decisions. Kind of reminds me of a situation once where the Sergeant reported a grave situation to the Lieutenant, "Sir, we are surrounded"... to which the Lieutenant calmly replied, "Good, now we can attack in every direction!" Fact is that my degree in Corporate Finance from Carroll College in 1975 prompted USMC to save money by using my acuity for numbers and attention to detail in fact finding to eventually place me in the position of Comptroller for all of Marine Corps Training. Some of you know that the Marine Corps is not it's own 'Service', but in fact belongs to the Navy. This meant that USMC met committees such as yours at an additional level - a 'Taxation Committee' of sorts and 'Appropriations Committee' of sorts screening 'in house', then at the Navy Level before we could speak the first word of testimony at the US Congress or address the President directly about an issue. My attempt at INTEGRITY in what I share with you I guard with extreme pride. Using this as a background, I must share that while your FD is 'surrounded', with an insane number of requests for accurate data, their note fails to account for benefit and return on the dollar.

The Fiscal Note makes me uncomfortable... as it clearly makes some of you feel. My discomfort for probably a different reason: The first Fiscal Note I saw on a proposal such as HB 49 was either in the 2005 or 2007 session. While the exact numbers are not at my fingertips I can say with relative certainty that the 'Cost' reported in that FN was ~ \$3.6M in the first year, then successively less in each year. The 'up front' bubble was credited for changing tax form and tax instructions. In 2011, the FN amount was ~ \$7M/year with a yearly increase. Now in 2013, the FN starts at \$12.5M in 2014 and ramps up to ~ \$14.5M in 2017. Ladies and Gentlemen, my retirement check did not double from 2007 to 2011 nor did it

double again from 2011 to 2013. Therein alone is one reason why I'm cautious about costs reported in the Fiscal Note.

Service is all we've known in excess of 20 years. We coach, we volunteer. In my own case I help support the Montana Food Bank Network, I've been a Neighborhood Watch organizer and Captain, received awards at the county level for litter control and recycling, cooperative volunteer for the National Weather Service and some of you might even know me as a volunteer weather watcher for NBC Montana.

You get a heck of a deal from your retired military that is hard to beat by others clamoring for limited dollars or seeking your support.

Let's assume though that the numbers in the Fiscal Note are accurate. The note tells you what it is costing, but try as I might in the FISCAL ANALYSIS, I cannot find anything that says "Here is the benefit to Montana".

I suspect that you see and hear lots of proponents standing right where I am asking you to make them a priority in getting a piece of the General Fund.

I wouldn't argue if you told me otherwise, but I suspect few if any can tell you that not only is this good for Montana, but that they are bringing their own money with them to prove it. Montana's investment whether the amount is \$3M (2007 Fiscal Note), \$7M (2011 Fiscal Note) or \$14M (2013 Fiscal Note) a year can literally PAY OR ITSELF in cash alone. But wait! There is more! We come home with the skills to build Montana without further training or education. We bring skills such as management, engineering, technology, education and medicine.

One reaction might be to say, "Let 'em go if they don't want to come home" The fiscally prudent reaction would be to say. "Holy Smokes, each of these retirees is bringing an average (see your own fiscal note) in 2013 \$30,832, 2014 \$31,889, 2015 \$32,982, and in 2016 \$34,113". Add 248 (only 146 out of 394 who retired last year came home last year) retirees lost to another state each year and by 2016 alone Montana is losing an additional \$50.7M a year... and it is going up every year. So what is this \$50.7M buying you in Montana? Let me take an exact quote out of the State of the State speech on January 13, 2013:"... When you put a check in the hands of Montana taxpayers, they're going to take that money downtown and spend it at the small businesses along our Main Streets..." That is exactly what I do with 100% of mine.

When I attended college, one of my Economics classes taught the concept of the 'Velocity of Money'. This term essentially captures the number of times that a single dollar changes hands in one year. Paying attention in that class in order to keep my GPA respectable, I learned that number was 55 times. Today, that number is taught as "7" times. Later to be honest with you, I'll demonstrate what just "3" times could be worth.

made the day they signed up...". OK, we know that you didn't promise us a tax exempt pension in Montana - but you could - and since other states already are, many of us are fiscally astute enough to bring our skills and money to them instead.

The Governor said, "...100 years ago, our ancestors came together - not as Democrats or Republicans, but as Montanan's - to take control of their destiny..." and I wondered aloud: Why during at least the last 3 legislative sessions have the Democrats in my state legislature voted 100% AGAINST a measure such as this... and why have Republicans in my state legislature voted 100% FOR a measure such as this? Frankly ladies and gentlemen I defended the Red, White and Blue of the United States - not the Red (Republican) states or Blue (Democrat) states.

Wouldn't it be nice if Montana cashed in on, as other states already have, and as an added benefit honored those Veterans with 100% exemption? I've done my homework, I know this will work. Your support would be wise, politically astute and certainly more appreciated in my case and those of my comrades than a yellow ribbon magnet on a car or a 'Heroes' page on the Montana State Website.

Finally: The PEACE DIVIDEND! Your and our constituents ask us to look further ahead than next year or the out-years addressed by the Fiscal Note. We have done everything our nation has asked of us during my time of service: Grenada, Kuwait, Iraq - twice, and Afghanistan. Now we are entering the greatest drawdown in the history of the military since the end of the Vietnam War. That is 40 years including the sphere of the 2015 Biennium Fiscal Note. Republicans and Democrats to include our President have mandated the reduction of our military as a result of reduced mission and manning requirements.

In case you missed it: We are at the "Front Door" of the largest military drawdown since Vietnam. Montana can have the door open for those retirees and literally "CASH IN" for the General Fund. OR we can allow a self-supporting \$314,000,000 plus per year industry go to any of at least 37 other states (9 with no Personal Income Tax and 28 with an exemption) where the welcome mat is out. Note back to 'Velocity of Money', if the military retirement dollar is spent twice, it is worth \$628M to Montana... if three times \$942M. You heard that right.

If you are still with me, this is a GOOD deal if we only look at averages for seven years. A JAW DROPPING GREAT DEAL if we are positioned to welcome our native sons and daughters back to Montana... with their dollars, skills, work ethic, and morals as a result of the Peace Dividend.

We were "National Assets". Now it is time that we were made "MONTANA ASSETS".

I'm grateful for your time. Please DO PASS HB 49.

Very Respectfully,

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POSTSCRIPT: The truth matters to me and I would never, nor now make something up in pursuit of personal gain. If a number in this presentation is incorrect, then it is an error of omission vice an error of co-mission. While HB 49 would be a personal gain for Military Retirees, my analysis says it is a HUGE gain for the State of Montana. In this presentation, I questioned the integrity of some numbers in the Fiscal Note. I ask you to look at the DoD Number of Military Retirees by State as of September 30, 2011 (published May 2012) and under "Montana" divide the monthly DoD payment to Montana residents by the number of Montana military retirees: $15,729,000 / 8,908 = 1,765.72$, then multiply the monthly amount by 12 months = \$21,188.59. Then go to page 2 paragraph #5 and read the average pension determined by the Fiscal Division in 2013 through 2016 and ponder how in two years they estimated a Montana Military Average Pension at anywhere from \$30,832 to \$34,113? This assumption alone skews the COST estimate of the Fiscal Note by over 30%. I attempted to query the Fiscal Division on these numbers and I was told that only a formal request through an established chain of command starting with a Senator or Representative could cause them to 're-look'.